

TEACHERS' RETIREMENT BOARD  
BENEFITS AND SERVICES COMMITTEE

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SUBJECT: Service Purchase Workload

ITEM NUMBER: 9

ATTACHMENT(S):     

ACTION:     

DATE OF MEETING: June 6, 2002

INFORMATION: X

PRESENTER(S): Cynthia Steiger

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**Background**

During the past 15 months, service credit purchase requests (billings) have necessarily been relegated to a lower priority in favor of phone and e-mail access for our members. Consequently, backlogs created during the START downtime period in early 2001 have been exacerbated and become a major customer service issue for CalSTRS.

Benefit enhancement legislation significantly increased member interest in service credit purchases. Members are very motivated to reach key service credit goals for enhanced retirement benefits and look to Billing Service Unit (BSU) staff to find the least expensive way to accomplish this. Legislation to allow for partial service credit redeposits (AB 820) has provided for less costly purchases, further increasing workload volumes. The passage of AB 131 allowing rollover of 403(b), 457, and IRA contributions will bring this service area to critical levels.

In anticipation of these increased workloads, we created a separate Billing Services Unit in October 2001 to allow for specialized and dedicated resources to this area. One individual transferred from the Public Service Office (PSO) and six new staff and four student assistants were hired and trained between October and March. Five part-time retired annuitants were also transferred from the PSO. Implementation was delayed for several weeks due to the State hiring freeze, but it is now up and running and almost completely staffed.

Progress on the backlog has been slower than anticipated due to steep learning curves for new CalSTRS staff and the need to balance the billings workload with a two-hour phone schedule. Incoming service credit purchase request volumes ranged from 400 to 1,133 per month over the past 22 months, and average around 700 to 850. Staff are now able to maintain incoming work volumes and have reduced the backlog from a high of 4,172 to 3,275 as of April 30, 2002.

While we anticipated larger workload volumes when California passed conforming legislation to the rollover and service credit purchase provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), we were not totally prepared for the tight

timeframes and retroactivity for our members who retire between January 1, 2002 and August 24, 2002. A brief survey of other state retirement systems indicated that some did not need conforming legislation, while others passed or will pass their legislation on a prospective basis only.

### **Expected Workload Volumes**

To validate our workload volume assumptions due to the passage of AB 131, staff contacted several other retirement systems including Colorado PERA, Ohio STRS, New York City STRS, and Illinois STRS. Colorado PERA's process and history is the most similar to CalSTRS' and their experience was used to validate our workload predictions. Colorado did not need to pass conforming legislation and, therefore, began receiving rollover purchase requests at the beginning of 2002. Over the first four months of 2002 their workload quadrupled over the same time period in 2001. Since there was no retroactivity provision, this represents an ongoing prospective workload for active members. They believe this will eventually decline to a 300% increase when the pent up demand has been addressed.

Based upon this experience, we predict the following workload estimates for the Billing Services Unit:

<b>Source</b>	<b>6/02</b>	<b>7/02</b>	<b>8/02</b>	<b>9/02</b>	<b>10/02</b>	<b>11/02</b>	<b>12/02</b>
Backlog	1,100	1,100	1,100				
Monthly Workload	850	850	850	850	850	850	850
AB 131 Retirees	880	880	880				
AB 131 Actives	2,125*	2,125	2,125	2,125	2,125	2,125	2,125
TOTALS	4,955	4,955	4,955	2,975	2,975	2,975	2,975

\*Represents an ongoing 350% increase in service credit purchase requests from active members.

In order to allow time for processing and receipt of the rollover funds, our target date to complete all of the retroactive billings for retired members is September 9, 2002. Over this same time frame we hope to completely eliminate the backlog and begin working on a flow basis.

### **Solutions**

To address this workload and provide members with the necessary turnaround time on their purchase requests, we will give AB 131 retiree requests top priority. In addition, many solutions have been or will be put in place to address this workload.

### Resources

- Our CEO is treating this as a high priority and will temporarily redirect available staff on a department wide basis to address this workload.
- The BSU will continue to work overtime each Saturday and will begin offering overtime until 8:00 p.m. on weekdays. Staff from other units with billing experience will be asked to participate when possible. Untrained staff will be welcomed and given the simplest billings along with various clerical functions to perform. We are coordinating with the Information and Technology Services Division to ensure database access.
- Two senior PSO staff have been loaned to the BSU for training and complex bills. In addition, several new PSO staff are being trained to research and calculate the most common purchase requests and they will also work overtime. Depending upon the phone call volumes, they could also be redirected part time to the BSU during regular work hours.
- Eight to ten additional students will be hired full-time for the summer. This group will be housed in another location as there is no more space available in the BSU. Existing PSO students will begin full-time schedules at the end of May and will split their time between the PSO and BSU as needed.
- As we get more experience with our actual workload numbers, we may request additional permanent positions as needed.

### Process and Technology Improvements

#### Immediate:

- Three service credit purchase calculators are already available on CalSTRS' website: airtime or non-qualified service, permissive service, and out-of-state service. Calculators for redeposits, payment plans, and return on investment have been designed and are being programmed. Members are encouraged to estimate the cost of a service credit purchase and validate their readiness before requesting a billing.
- Staff have identified a myriad of START improvements/changes that will improve productivity and reduce process redundancy. These have been given high priority and some have already been completed.
- A cross-functional process improvement team will be chartered to evaluate BSU's processes and procedures and implement process changes to attain quick gains in productivity. By mid-June, this team should be able to significantly reduce the current 1.3 hours required to complete the average service credit purchase request.

Long Term:

- E-Service applications ultimately will provide the critical/on-time information our members expect for purchase considerations.
- Imaging and workflow solutions that will permanently streamline BSU processes and allow for greater processing efficiencies.

While we will certainly be hard pressed to address this workload and provide adequate customer service to our members over the next several months, we believe we have a mix of solutions that will allow us to complete the backlog as well as meet the demand for retroactive billings for our retired members. An update of the status of our efforts and a more detailed presentation will be made at the June 6, 2002 meeting.